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C O N F I D E N T I A L SECTION 01 OF 02 KATHMANDU 001823

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ISLAMABAD FOR AMBASSADOR POWELL
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TAGS: [PTER](#) [ECON](#) [ASEC](#) [NP](#)

SUBJECT: NEPAL: INDUSTRIAL SECURITY GROUP DISCUSSES MAOIST
EXTORTION AND THREATS

REF: KATHMANDU 1369

Classified By: Ambassador Michael E. Malinowski for reasons 1.5 (b) and
(d).

Summary
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[11.](#) (SBU) On September 11, the Industrial Security Group, comprised of the bilateral chambers and foreign missions of the U.S., U.K., France, Germany, and India, held a meeting to discuss the deteriorating security situation in Nepal. The group reviewed the Government's security plans, Maoist extortion demands, and next steps. End summary.

Government Plans for Dialogue on Security Issues
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[12.](#) (SBU) On September 11, British Ambassador Keith Bloomfield chaired a session of the Industrial Security Group, which includes members from the chambers of commerce and foreign mission of the U.S., U.K, France, Germany, and India (reftel). The meeting was attended by the U.S. Ambassador and RSO, German and French Charges', a representative from the Indian Embassy, and heads of the bilateral chambers of commerce. Ambassador Bloomfield and the head of the British Chamber of Commerce and Industry, Rajendra Khetan, reviewed discussions they held with Home Secretary Ananta Raj Pandey the week of August 18 regarding

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security for Nepal's industrial sector. Pandey reported that the Government of Nepal (GoN) has adopted four points to discuss with industry: a) Request the private sector to contribute funds for a proposed Industrial Security Force; b) A recommendation on whether the stationing of troops in industrial areas would increase or decrease Maoist targeting of industries; c) The monitoring of Maoist activity in and around company facilities; and d) The development of a package of options that would increase security. Ambassador Bloomfield reported that while the Home Secretary had opened the door for dialogue, he has not re-engaged on the topic in the two weeks since the meeting.

Participants Report a Peak in Extortion
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[13.](#) (SBU) Chamber representatives reported that in the past week, Maoists have increased their extortion demands, which are now backed with threats of retaliation. In addition to the Maoists' traditional practice of soliciting from companies, Maoists are now sending letters to prominent individuals. These letters are signed by area commanders using pseudonyms. For the first time, according to a member of the British Chamber, Maoists are making extortion demands of banks and financial companies. (Note: In the past, Maoists would attack financial institutions to steal money rather than try to extort it. End note.)

[14.](#) (SBU) Nepal-USA Chamber of Commerce and Industry President, Sunil Sakya, reported that in the historic city and tourist site of Lumbini (the birthplace of Buddha), there is almost no presence of security personnel. The police that are posted in the district are sleeping in temples and fields and are inconsistently reporting for duty during the day. A member of the British Chamber reported that the Chief District Officer of Makwanpur, a six-hour drive south of Kathmandu, is threatening to withdraw a six-man police unit guarding Nepal/Lever's plant, a force the facility has enjoyed for nearly two years.

Germans Shutdown Development Projects
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[15.](#) (SBU) German Charge' Klaus Tesch reported to the group that the German development agency, GTZ, has ended its hydro-electric project on the Marsyagadi River in Kaski District (west of Kathmandu), since the break in the

cease-fire due to Maoist extortion demands. Shortly after the resumption of hostilities, the Maoists added a ten-day deadline.

"Where are the Police?"
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16. (SBU) Ambassador Bloomfield asked about the Joint Secretary within the Home Ministry designated as the single

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point of contact to report extortion demands. British Chamber President Khetan replied that while the Joint Secretary is taking reports, he does not have the resources

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to conduct investigations or arrests. Ambassador Malinowski and Ambassador Bloomfield recommended that anti-extortion training and capacity building would be a good area in which to direct bilateral programs. Ambassador Malinowski directed RSO to solicit Home Ministry views on conducting anti-extortion operations and standing up a special unit to conduct investigations.

Comment
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17. (C) Despite two years of promises to form an Industrial Security Force, the GoN has not been able to deliver. But neither have the businesses given the cash-strapped GoN the funds needed to form a specialized force. The reported increases in extortion demands track with other reports the Embassy has received. The break in the cease-fire, unfortunately, provides the Maoists an opportunity to make good on their "or else" threats by attacking hold-outs who refused to meet Maoist demands. The proposal to assist the Ministry of Home to develop a capacity to pursue Maoist extorters garnered general support from the group and will be pursued by RSO. The concept would not only address the current problem of Maoist extortion, but it could also be transformed into a financial crimes unit later.
MALINOWSKI